# EDUCATION DAILY

The education community's independent daily news service.

Vol. 27, No. 237 Friday, December 9, 1994

#### NEA, Chiefs Eye Phone Profits To Fund School Networks

National education groups, along with a regional phone company, are pushing a massive proposal to wire schools with telecommunications systems.

The plan would make schools the main beneficiaries of a pool of telecommunications money that could amount to \$300 million a year.

The funds come from overpayments that national interexchange carriers, like AT&T or MCI, pay to regional phone networks, such as Pacific Bell and Nynex.

The money now is rebated to the national phone companies. But the Federal Communications Commission is reviewing the rebates under a larger telecommunications oversight plan it expects to rule on early next year.

Vice President Al Gore this week weighed in

with a completely different means of funding an education network: through auctioning FCC licences (see related story, below).

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Either plan would likely accelerate the pace at which schools tap into the nation's emerging information technologies.

Board Would Include Schools FCC Chairman Reed Hundt has said he is considering the first school network option, developed by the National Education Association (NEA), the Council of Chief State School Officers (CCSSO) and a trio of communications groups.

Under their plan, the overpayment pool would be disbursed to schools by a board made up of representatives from schools, telecommunications companies, libraries and other stakeholders.

Schools would present their networking plans to the board, which would base grants in part on the institution's financial need.

'Getting A Little Desperate'
The coalition drew up the plan because the education community was "getting a little desperate" after Congress appropriated only \$40 million for educational networking this year, according to Judy Gray, a consultant representing the group.

It estimates the cost at \$2 billion to provide "basic access"--a local phone network with a shared modem--to schools and libraries nationally. "Broad-band" service, which features video capabilities, would cost at least \$50 billion.

#### NEA, Chiefs Eye Phone Profits For School Networks (Cont.)

An NEA spokesman said schools at least need the phone line connections to "tap into the information superhighway" that will help familiarize students with high-technology concepts they will face in the workplace.

Regional Phone Company Support So far, Bell Atlantic is the only phone company that has thrown its support behind the plan.

And regardless of how the FCC rules on that proposal. Bell Atlantic will still make good on an earlier promise to wire schools in the mid-Atlantic region that it covers, said Eric Rabe, Bell's director of corporate relations (ED, Feb. 25).

He said the company is also drawing up a package for schools that would operate networks primarily at cost. Schools, he said, are "not going to be a profit center with us."

Several of the other regional telecommunications companies also have committed to wiring their regions' schools. But only 6 percent of schools now have telephone lines in all classrooms.

By contrast, cable television operators claim to have provided a broadband connection, not just a phone line, to three-fourths of U.S. schools.

Telecom Opposition

The educators' plan is not generating smiles in the boardrooms of the telecommunications titans.

The interexchange carriers think they should continue getting the money, because it represents some of the benefit they get from improved network efficiency.

MCI "has not yet spoken [on the plan], but we will respond," said Len Sawicki, MCI's senior federal regulatory manager.

The Consumer Federation of America and the International Communications Association (ICA), which represents major long-distance users, last week came out jointly against the educators' plan. They say handing over the rebates to schools might prevent reductions in long-distance rates.

Brian Moir, ICA's general counsel, said the educators want to shift dollars gained under a regulated regime to an unregulated service, local area networking in schools.

Taxing The Carriers

Sawicki said one issue the long-distance phone companies may bring up is why they should pay for education services.

After all, Sawicki said, FCC Chairman Hundt recently said he favored increased competition to solve education networking needs.

Frank Withrow, CCSSO's director of learning technologies, says the grants would be a fair use of the money because schools and students are both local ratepayers and long-distance customers.

"This is a legitimate ratepayer benefit," he

Withrow noted that California's public service commission ordered Pacific Bell to give the state's schools a \$42 million overpayment received from its customers, a move the state legislature unsuccessfully opposed.

As for whether the FCC has the power to do this, a Washington, D.C., law firm has advised the commission that it does have the authority.

The letter was written by former FCC Commissioner Henry Rivera, now with the Ginsburg, Feldman and Bess firm.

--Edward Warner

## WASHINGTON UPDATE

Policy and Politics in Brief

## CONNECTIONS **MEAN A LOT** FOR SCHOOLS

#### BY ROCHELLE L. STANFIELD

t looks like the mother lode, but it may just be alchemy for the computer age. Four education organizations and the American Library Association believe

they've found a way to turn a glitch in the long-distance telephone price structure into gold for hooking up the nation's schools and libraries

to the information superhighway.

But representatives of the long-distance carriers and Federal Communications Commission (FCC) officials caution that the proposal might yield only fool's gold.

On one thing there is general agreement: It's crucial for schools to have access to computer information networks such as the Internet.

The communication "revolution can change our faltering education system forever and for the better." FCC chairman Reed Hundt said in a Nov. 15 speech to state utility regulators. "Each of our schools and libraries should be tied into local area networks. Each should be honeycombed with information pathways, accessible by teachers and filled with information for students. Our kids should be able to do research in the Library of Congress without leaving their schools."

President Clinton and Vice President Albert Gore Jr. say that they want all schools and libraries hooked up by 2000. But the job is super-expensive, and the schools have a very long way to go.

A survey for the National Education Association showed that only 12 per cent of the nation's classrooms are connected

to a telephone line; only 4 per cent have a modem. Just to wire all the classrooms in the \$4,000 public schools in the country for telephone communications would cost more than \$2 billion. To do the job right could cost as much as \$112 billion.

The money isn't likely to come from the new Republican-dominated Congress. which will presumably be dedicated to cost cutting.

"We don't see a lot of new money coming in terms of appropriations for this." said Frank B. Withrow, director of learning technologies for the Council of Chief State School Officers.

The fiscal 1995 appropriations for the

Elementary and Secondary Education Act allocate a mere \$40 million for all forms of technology. That amount is supposed to rise in the following years, but education budgets in general are expected to be a major target for spending cuts.

So the education organizations are looking to the hugely complex telephone pricing system as a gold mine. The FCC

regulates the amount that local phone companies charge long-distance carriers to use local lines. Tucked into the formula is the so-called Consumer Productivity Dividend (CPD), money that is supposed to be returned to customers in the form of lower telephone bills.

The CPD amounts to about \$300 million a year, but education organizations and other consumer groups say individual consumers haven't seen a penny of it. So they want to earmark this money as a credit for local phone companies to use to wire the schools.

This proposal is not a bolt from the blue. Several states are already tapping

> into the local telephone rates that they regulate to help finance the wiring of their schools.

> "We're excited about this proposal because there's a significant amount of resources. it doesn't reguire legislation and [beginning to wire the schools; could happen quickly." said Michelle Richards. federal networks advocate for the National School Boards Association.

Others are saying, not so

Some taxpayer organizations see the proposal as a backdoor tax. They want the money to go back to the consumers as it was intended.

AT&T Corp. representatives say that the long-distance giant doesn't want the local companies-with phone whom the long-distance carriers are in pitched battle over new telecommunication business opportunities—to benefit from the proposal. "It should be thoroughly explored and put out to bid, not just given to the [local] Bell companies," said Jim McGann, an AT&T spokesman. An MCI Commu-

nications Corp. spokeswoman said her company has not articulated a position on this proposal.

FCC officials have broader concerns that go to the heart of communications policy. They're not so sure that telephone wires should necessarily be the vehicle for hooking up the schools.

"We are trying not to pick winners, not



#### FROM THE K STREET CORRIDOR

around of Cuba libres, anyone? Not at the public relations firm of Burson-Marsteller. Comments by Burson-Marsteller vice chairman Pierre Salinger and senior vice president Kirby Jones urging an end to the U.S. embargo of Cuba have cost the firm a million-dollar account with Miami-based Bacardi Imports Ltd. Bacardi, once based in Cuba. had three breweries and two rum distilleries confiscated after Fidel Castro took over the island in the late 1950s.

Salinger, a former ABC News correspondent who once was President Kennedy's press secretary, angered Bacardi executives with an op-ed piece in The New York Times in August calling for an end to the embargo. And at a Georgetown University symposium in October, Salinger said in his keynote speech. "Anyone who supports the embargo is no friend of the Cuban people."

But it's Jones who may have played a more important role in the loss of the account. José Argamasilla Bacardi, director of public relations for Bacardi Imports, said the company was unhappy that Jones, a lobbyist, has been advising clients about business prospects in Cuba if the embargo is lifted. "One of the things for sale is our [confiscated] properties. That's a conflict right there," Argamasilla said in a telephone interview. Burson-Marsteller declined to comment.

After the controversy was reported by the Fort Lauderdale (Fla.) Sun-Sentinel in October, the PR firm issued a press release saying that Bacardi and Burson-Marsteller "agreed to dissolve their relationship due to philosophical differences relating to business issues worldwide."

—W. John Moore

#### **A A A**

The public relations powerhouse of Robinson Lake Sawyer Miller has let go 11 employees, about a sixth of its Washington operation. James H. Lake, the firm's chairman, said that two professionals and nine support staff members were laid off to achieve "efficiencies" and reduce "redundancies" stemming from the 1993 merger that created the firm. He declined to identify them.

Separately, Jill Wilkins, a vice president, and Ellen Sullivan, a senior associate, recently left to join Mark Malloch Brown, a former Robinson Lake executive who became the World Bank's external affairs director this fall.

Lake said that the firm's revenues were down this year; among other things, it lost a multimillion-dollar contract with the Agency for International Development. But, he said, the firm is negotiating to acquire an out-of-town firm with a Washington office specializing in communications and another office specializing in grass-roots lobbying. And despite the staff reductions, Robinson Lake has hired two new executives, Michael J. Petruzzello of the PR firm of E. Bruce Harrison Co. and Joseph Lockhart, a consultant who was based in Abu Dhabi. The firm, created by the merger of Robinson, Lake, Lerer & Montgomery and the Sawyer Miller Group, now has about 50 employees in Washington.

-Peter H. Stone

#### **A A A**

Colland & Knight, the Florida-based law firm that has aggressively expanded its Washington lobbying practice during the past two years, is hoping to add Haitian business interests to its client list. A group of Haitian entrepreneurs recently met with members of the firm's Washington office. Former House Foreign Affairs Committee chairman Dante B. Fascell, D-Fla., now a Miami-based partner in the firm, flew to Washington to help make the pitch. Fascell said, though, that he had "no plans" to become a lobbyist or a foreign agent. "I'm not in the mood to do it either," he said in an interview.

Sources close to Holland & Knight report that the firm has also recruited Mobil Corp, general counsel Edward Fowler to join its Washington office, bringing the number of lawyers in the office to more than 80.

—James A. Barnes

to say connecting the classrooms necessarily means wiring the classrooms," said Bob Peck, deputy director for intergovernmental affairs in the FCC's office of legislative and intergovernmental affairs. "Connecting classrooms, which is a terrific idea, could mean you use wireless [systems] or cable systems."

Using existing telephone wires might be the easiest and fastest way to hook up the schools, information highway experts say, but alternative approaches could accommodate much more sophisticated information systems. Cable systems and wireless, for example, could combine video hookups with computer networks.

The potential for profit in hooking up the schools is enormous. FCC chairman Hundt. a strong believer in marketplace competition, would like to see the various elements of the communications business compete for their piece of the action.

"Why should we deprive our schools of the choices and other benefits of competition that we seek to secure for consumers in other markets?" Hundt told the state regulators.

The FCC is expected to take up the proposal sometime in the spring. Contrary to the expressed hopes of the education groups, a decision isn't likely to be made quickly. The answer, when it comes, might not point to the pot of gold that looked so enticing when the education groups offered their proposal. And no other readily available source of funds is at hand.

In the meantime, the vast majority of classrooms don't even have an old-fashioned dial phone.

## STATES OF DISARRAY

BY W. JOHN MOORE

andra Cuneo doesn't work on Capitol Hill. But just like the estimated 3,000 congressional aides working for defeated Democrats, Cuneo finds herself looking for a new job.

Cuneo. Washington counsel in the New York State Office of Federal Affairs. lost her job when her boss. Democratic Gov. Mario M. Cuomo, lost his, "Every single person in the office is a political ap-



and special events coordinator; Tracy Welborn, ex-U. of Wash., appointed development asst., AETNF... Lisa Prosek promoted to ITV coordinator, Ohio Educational Bestg... Karen Usrey, ex-Dayton Philharmonic Orchestra, joins WPTD Dayton as corporate support representative... Cynthia Dwyer, ex-Western N.Y. Public Bestg. Assn., named dir.-development, WCET Cincinnati... Lisa Martinez promoted to dir.-communications, WNEO Alliance/WEAO Akron; Lee Moore advanced to ad-promotion specialist... Kevin Frazier, ex-WGVU-TV Grand Rapids, named annual campaign mgr., WXEL-TV W. Palm Beach.

#### **TELEPHONY**

Time Warner (TW) launched cellular service Mon. in Rochester, N.Y., and plans to roll out similar service where it provides cable TV within 2 years. TW is reselling cellular service of Rochester Telephone rather than building cellular network, company said. CEO Dennis Patrick of TW Telecommunications said company is getting into cellular as first step toward bundled services. TW already has targeted Honolulu, Houston, N.Y., Orlando, N.C. and Ohio for cellular services within 2 years. Patrick wouldn't comment on timetable, but said company strategy is to avoid costs to buy spectrum and build infrastructure while offering service through resale agreements. Service introduces with free calls from 5 Rochester malls.

There's insufficient evidence to determine whether portable cellular phones are risk to health, according to General Accounting Office (GAO) study released late Mon. by House Telecom Subcommittee Chmn. Markey (D-Mass.). GAO also recommended that federal govt. monitor cellular industry research into potential hazards, but said that agencies with responsibilities related to cell phones have limited budgets and different priorities. Markey, who asked President Clinton to help coordinate federal research on topic, said: "There is no reason to panic, but the bad news is that no one can definitively conclude that health risks from portable cellular phones are negligible." CTIA Pres. Thomas Wheeler sent letter to Markey late Mon. saying he was disappointed that he [Markey] "would misconstrue the GAO's findings by suggesting there is 'bad news' regarding cellular phone safety." Wheeler said GAO study found that FDA and EPA have had no reason to take regulatory actions on use of portable phones.

MCI unveiled Internet retail shopping program and other software Mon. to provide entry, beginning in Jan., for businesses and consumers seeking access to international data network. Company said that service, called internetMCI, will allow users to shop in Internet, buy products listed by retailers using service and make high-speed connections to network for data applications. New service will compete with America OnLine, CompuServe, Prodigy. MCI software, costing \$49.95, was designed with Netscape Communications (formerly Mosaic Communications) and includes security system for conducting network financial transactions, MCI said. In addition to initial cost, internetMCI is \$19.95 per month for 7 hours of access via local gateway and 3 hours on 800 numbers. Each additional gateway hour is \$3 and 800 access is \$7. Small company ads on service will pay about \$2,000 per month, said John Donoghue, vp-mktg., MCI Business Markets. Vinton Cerf, MCI senior vp for data architecture, said: "MCI is bringing commerce to the Internet. When people think of the Internet, we want them to think MCI." MCI also plans to provide nationwide DS-3 backbone network at 45 Mbps, which company described as commercial version of National Science Foundation network. Cerf said 7 major regional Internet providers, accounting for 40% of U.S. traffic, use MCI network along with CA\*net in Canada and WIDE network in Japan. Cerf was a designer of Internet's predecessor when Dept. of Defense built network 25 years ago. First message thought to be sent was between Stanford Research Institute and UCLA Computer-Science Dept. Nov. 21, 1969.

FCC could raise enough money to wire public schools throughout country by changing LEC price cap formula, group of educators and library officials said in letters Nov. 17 to FCC Chmn. Hundt and Vice President Gore. Group, which first proposed idea last summer, urged Commission to take action because no overall plan exists to fund schools, and price cap plan could generate \$300 million each year. Plan calls for FCC to dedicate Consumer Productivity Dividend (CPD) to schools rather than to long distance companies. Annual CPD adjustment — 0.5% of access charges paid to LECs — now is returned to long distance companies in form of lower access rates. Robert Chase, National Education Assn. vp, said original intent of CPD was to reduce long distance charges to consumers but "ordinary consumers have received no comparable reduction in their long distance phone bills." He said: "The American public would enjoy greater benefits from the CPD if it were used as a targeted subsidy for education and libraries rather than as a means to reduce the access charges paid to local telephone companies by long distance companies." Only beneficiaries now are big businesses that get discounted long distance rates because they're high-volume users, he said.

mgr., KHTV Little Rock... Terence Poltrack, Presstime magazine editor, promoted to vp-editorial dir., Newspaper Assn. of America... FCC schedule: Meredith Jones, chief, Cable Service Bureau, attends INTV/NATPE Convention, Las Vegas, Jan. 22.

#### **OBITUARIES**

<u>James Cook.</u> 90, retired telephone company executive, died Tues. of heart failure in Naples, Fla. He worked for various Bell companies before joining AT&T in N.Y. in 1950s. He was chmn. of Ill. Bell when he retired in 1969. Survivors include daughter, 3 sons.

<u>Iohn (Jack) Booth.</u> 87, media pioneer, died Nov. 11 of cancer in Grosse Pointe Farms, Mich. He purchased radio stations beginning in 1930s, built cable systems in Mich. and Va. He's survived by wife, 2 sons, 2 daughters.

Hector Davis, 61, FCC electronics engineer, died Nov. 30 of cancer in Columbia, Md. He served 30 years at Commission lab in Columbia, contributing to development of transmission standards for NTSC color TV and HDTV. Philadelphia native, he's survived by wife, 3 sons.

#### **TELEPHONY**

Plan by coalition of educators and librarians to use consumer productivity dividend (CPD), part of price cap formula, to fund wiring of public schools and libraries has been criticized by Consumer Federation of America (CFA) and International Communications Assn. (ICA). Coalition's plan would redirect \$300-million CPD, which now goes to long distance companies in form of lower access charges each year. ICA attorney Brian Moir said group feels plan would raise telephone rates because CPD is passed on to consumers. "We support the idea but we suggest there should be a better mechanism" to accomplish it, he said. ICA and CFA said in ex parte statement Nov. 30 that educators' proposal "would result in a transfer of well over a billion dollars in money that would otherwise be available to reduce telephone subscriber rates. Since the proposal would not require LECs to spend this money, rather it would allow them to retain the funds in a special account, any money not spent directly on schools or libraries would represent cost-free capital and added cash flow to the LECs totally funded by captive telephone ratepayers... Social policy infrastructure investments should not be funded in this manner." Education coalition responded that argument is "frivolous" and school plan would "ensure that consumers actually benefit from the CPD."

FCC Nov. 30 granted LEC petitions for waiver to establish separate rate elements for provision of 500 access service. New 500 numbers will permit "follow me" service that lets consumers use same telephone number for landline, cellular or pager calls. Total of 12 LECs petitioned for waiver because they would incur costs in providing service that can't be recovered under existing Part 69 rate elements.

Japan is ready to order Nippon Telegraph & Telephone (NTT) to open domestic lines to long distance providers DDI, Japan Telecom and Teleway Japan for new services, Ministry of Posts & Telecommunications spokesman said Fri. Comment was made after Thurs. hearing at which NTT opposed opening lines without mechanism to identify business of each company.

Belgium is seeking 2nd mobile telephone operator on 900 MHz willing to pay \$108.4 million "concession fee," lease all wireline service from Belgacom and serve 50% of nation after one year. Communications Ministry said it will award 15-year global system for mobile phone license, with possibility of extension, in late spring. Company must serve 95% of nation after 4 years, govt. said.

Boston Technology won contract from Teleport Communications to provide voice information processing systems for voice mail, fax and other services to medium and larger customers. Company said technology will expand to small business and residential customers later.

Integrated Network Services shareholders approved sale to Call-Net in exchange of 0.9664 shares of Class B participating nonvoting shares, subject to approval of regulators and British Columbia's Supreme Court. When deal is approved, Sprint will pay \$8.82 million for Class C nonvoting shares of Call-Net stock to maintain 25% interest in Call-Net, officials said.

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#### HOW TO SEND A LETTER OF ENDORSEMENT TO THE FCC Regarding the Education/Library Coalition Price Cap Filing

Here are the names of the five FCC Commissioners and their address. Be sure to refer to "CC Docket 94-1: Price Cap Performance Review for Local Exchange Carriers: "Ex Parte." You can write to Chairman Reed Hundt and copy the other commissioners or, ideally, write an identical but personalized letter to each of the comissioners.

Chairman Reed E. Hundt Commissioner Rachelle B. Chong Commissioner Susan Ness Commissioner James H. Quello Commissioner Andrew C. Barrett

Federal Communications Commission 1919 M Street, N.W. Washington, DC 20554

Thank you for your consideration of our request for an endorsement of the filing. If you decide to make an endorsement, would you please fax a copy of the letter(s) to me at 202-408-1134? I will pass them along the education coalition. They would appreciate your support.

MAJORITY MEMBERS

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#### COMMITTEE ON EDUCATION AND LABOR

U.S. HOUSE OF REPRESENTATIVES TISI SATEURN ROUSE OFFICE BUILDING

WASHINGTON, DC 20515-8100

July 27, 1994

MINDS TO MINDS

William P. SULULING - PERMETUM-TROMAD E. FERRI, WHESENSEN MARRET ROLLEVAL MEM LESSET STIVE QUESTISON, WISCOSTIN MCHADS E. AMINET. TEXAS MARRET MEMELLILLINGS CASS SALLENGER, RIGHTH CANQUING SUBAIN PROMISSION TORY SUBAIN TRANSPORTER TORY SUBAIN TRANSPORT John A. Berner, Brid Larby "Durl" Cummichall, California Peter ngestra, Miliman PART OFFICE MARSH, SALFBAGA BAN WILLE FLOWDA MICHAEL & CASTLE DELAWARE

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The Honorable Reed E. Hundt, Chairman Federal Communications Commission 1919 M Street NW, Suits 814 Washington, DC 20554

Dear Mr. Chairman:

I am writing to add my enthusiastic support of the comments you recently received from five education and library organizations in response to the matter before the Federal Communications Commission on "Price Cap Performance Review for Local Exchange Carriers" (CC Docket 94-1).

Briefly, the education and library organizations propose that the Federal Communications Commission (FCC) redirect the Consumer Productivity Dividend to a program designed to benefit schools and libraries through plans mutually agreed upon by all parties. They recommend, in this context, that the approximately \$300 million a year available through the dividend be allocated to a special account against which the Local Exchange Carriers would charge investments made in educational and library infrastructure in their telephone service territories.

I believe the proposal offers a cost-effective, sensible approach which could greatly further the Administration's worthy goal to connect every classroom and library to the National Information Infrastructure by the year 2000.

As Chairman of the Education and Labor Committee, I have supported a variety of measures before both my Committee and other Committees which would help assure that schools and libraries reap the full benefits of the rapidly changing technologies which are influencing all aspects of modern life.

Specifically, the Education and Labor Committee recently guided to enactment the Goals 2000 legislation in which the Congress endorsed a process which would reform aducation by driving improvements systemically, whether the improvements concerned teaching, learning or the conception of education generally. Following enactment of the Goals bill, the House of The Honorable Reed E. Hundt Page 2 July 27, 1994

Representatives passed the comprehensive education bill to extend Elementary and Secondary Education Act programs. This bill also includes a broad new initiative to spur greater use of educational technology in schools and libraries all across the country. Even though the legislation has yet to be enacted, the Appropriations Committee has signaled its willingness to set aside a small amount of funds should the program be enacted, which is remarkable given the fiscal restraints being dealt with this year. Clearly, there is a strong desire to include schools and libraries as participants in the information infrastructure because of the clear link between the development of the National Information Infrastructure (NII) and the types of educational changes envisioned in these major education initiatives.

The NII promises to provide schools and libraries with the ability to tap into vast stores of information, to get in touch with other classes and teachers to compare information and share experiences. This potential will only be realized, however, if appropriate public policies are put in place at every step of the way.

I am familiar with, and appreciate, your personal interest in making the National Information Infrastructure accessible to the public, in part, by making it affordable for schools and libraries. I hope you will give the proposal submitted by the education and library organizations your full consideration as a way to leverage public policy to stimulate private investment in the NII and in the process benefitting two fundamental underpinnings of our democracy.

With kind regards,

Sincerely,

WILLIAM D. FORD

Chairman

WDF:jmm

MAJOR R. OWENS

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COMMITTEE ON EDUCATION AND LABOR

COMMITTEE ON GOVERNMENT OPERATIONS



## Congress of the United States

House of Representatives Washington, DC 20515-3211

September 1, 1994

The Honorable Reed E. Hundt Chairman Federal Communications Commission 1919 M Street NW, Suite 814 Washington, DC 20554

Dear Mr. Chairman:

I am writing to express my enthusiastic support for the innovative proposal on "Price Cap Performance Review for Local Exchange Carriers" (cc Docket 94-1) submitted by the Education and Library Alliance to connect schools and libraries to the National Information Infrastructure (NII).

As a librarian, I cannot stress enough the importance of public libraries as a vital source of information for urban and rural communities. We face the danger in the emerging 21st century of millions of Americans becoming part of the "information poor" — those who could be left out of the new electronic communications world we envision. We need to be sure that all people, including those who historically have been among the underserved in our diverse population, have the opportunity to access the advanced technologies offered. Linking public schools and libraries to the NII would accomplish this goal.

It is my hope that you will give this proposal your full consideration. I believe the proposal would improve equality of opportunity and promote full participation for every American.

MAJOR R. OWENS

Member of Congress

WASHINGTON OFFICE.

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DISTRICT OFFICES.

788 UTICA AVENUE 8800KLTH, NY 11213 1718] 773-3100

1310 CORTELYOU ROAD BROOKLYM, NY 11228 17181 840-2213 July 26, 1994

Chairman Reed E. Hundt Federal Communications Commission 1919 M Street, N.W. Washington, DC 20554

Dear Mr. Chairman:

The American Association of School Administrators, representing more than 16,000 local superintendents and school executives, wishes to express our support for the Reply Comments filed with the Commission on June 29, 1994, in the matter of Price Cap Performance Review for Local Exchange Carriers (LEC); CC Docket 94-1: Price Cap Performance Review for Local Exchange Carriers.

We agree with the American Library Association, The Council of Chief State School Officers, The National Association of Secondary School Principals, the National Education Association, and the National School Boards Association, that price cap regulations should be reformed to "provide those positive financial incentives to urge LEC investment in communications technology for education and libraries."

We also support the 0.5 percent "credit bank," which could only be claimed by LECs if they invested in education-related National Information Infrastructure systems and technologies that have a meaningful, carefully thought-out, and demonstrated connection with learning in individual schools, school systems, and libraries.

We appreciate having the opportunity to present our views.

Sincerely,

Paul D. Houston Executive Director

#### NATIONAL ASSOCIATION OF ELEMENTARY SCHOOL PRINCIPALS

Sening All Elementary and Middle School Pronocooks

August 9, 1994

The Honorable Reed E. Hundt, Chairman Federal Communications Commission 1919 M Street, NW Suite 814 Washington, DC 20554

Dear Mr. Chairman:

On behalf of the National Association of Elementary School Principals (NAESP), I am writing to express our support for the use of rate price cap funds to help schools benefit from emerging telecommunications technologies. Specifically, we are interested in the redirection of the Consumer Productivity Dividend (CPD) to a program designed to benefit education and libraries.

It is my understanding that some \$300 million would be available through the CPD each year. Reserving this money strictly for use by schools and libraries would help them gain access to many new technological innovations that can greatly enhance teaching and learning.

It is crucial that schools and libraries be included in the National Information Infrastructure (NII). As you know, the Administration has made known its goal of having every classroom and library connected to the NII by the year 2000. If this goal is not achieved, the gap between the "haves" and "have nots" will become even wider and many thousands of the nation's young people will be left behind.

Now is the time to make a stand for equity. Now is the time to take action to ensure that every child in this nation is given real opportunities to learn. The redirection of CPD funds to a special education and library fund will help to make this a reality and provide our young people with the tools they will need in order to compete in the marketplace.

Thank you for your consideration of this matter. NAESP looks forward to working with you on other issues of mutual concern.

Sincerely yours,

Sally N. McConnell

July Mal Druell

Director of Status and Advocacy

1615 Duke Street . Alexandria Vircona. 22314-3483 . Telephone: (703) 684-3345 . Faz: [793] [3569]?

TOTAL 5 43



**EX PARTE** 

September 28, 1994

(identical letters sent ale 5 FCC Commissioners,

Chairman Reed E. Hundt Federal Communications Commission 1919 M Street, N. W. Washington, DC 20554

Dear Mr. Chairman:

The Oregon Library Association, representing about 1,000 librarians and library supporters in Oregon, strongly endorses the use of rate price cap funds to assist libraries in connecting to the emerging National Information Infrastructure (CC Docket 94-1: Price Cap Performance Review for Local Exchange Carriers).

We understand that proposal filed by the Education and Library Alliance would generate approximately \$300 million per year that local telephone companies could use to finance investments in library and educational infrastructure in their service territories.

Here in Oregon, we have spent the past year planning for a state-of-the-art library network that will eventually provide every Oregonian with access to vast amounts of library materials and information. One of the major findings of our planning process is that it is absolutely essential that all of Oregon's libraries gain affordable access to the "information superhighway" as soon as possible.

We believe this innovative proposal on behalf of the nation's libraries and schools will meet our needs, and be of great benefit to all American citizens. We urge your careful consideration of this proposal.

Sincerely,

Ame Billeten

Anne Billeter President

P.O. Box 2042 • Salem, Oregon 97308-2042



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October 13, 1994

Honorable Reed E. Hundt Chairman Federal Communications Commission 1919 M Street, N.W. Washington, D.C. 20554

Dear Mr. Chairman:

RE: FCC Comprehensive Review of the Performance of LECs Under Price Cap Regulation -- CC Docket 94-1

The Rural Electrification Administration (REA) was recently contacted by the Organizations Concerned about Rural Education (OCRE) and asked to comment on their position regarding incentives to promote the development of the National Information Infrastructure for rural educational facilities and libraries. Specifically, OCRE (through reply comments submitted in the matter of CC Docket 94-1) suggests that the FCC redirect the Consumer Productivity Dividend (CPD), that is now part of the current annual access rate price cap formula, to a program designed to benefit education and libraries. Under this proposal, the 0.5 percent CPD would not be included in the price cap calculation, but instead would be allocated to a special account against which LECs would charge investments made in the educational and library infrastructure in their telephone service territories.

The REA, in addition to providing financing for the improvement of the rural telecommunications network, annually loans millions of dollars for educational television facilities and administers a Distance Learning grant program which provides funds to colleges, universities, and other educational facilities. In general, the REA supports efforts made by organizations like OCRE to improve the nation's rural education systems' accessibility to the information superhighway. Improvement of the rural education infrastructure is critical to rural America's long term viability. We applied this and other rural development initiatives that will enable rural communities to prosper from the benefits of a nationally integrated information system,

The REA telephone program has nearly 900 active borrowers across the U.S. The vast majority, as you are probably aware, do not operate under price cap regulation. At this juncture OCRE's proposal will have no known adverse effect on our borrowers or on the security for the Government's REA loans. In general, the REA is in favor of developing information links to libraries and schools and urges the FCC to give OCRE's proposal full and careful consideration.

The FCC should be commended for its efforts in evaluating the performance of LECs under price cap regulation. As an agency dedicated towards providing rural America with affordable, advanced telecommunications facilities needed to derive the benefits of the information superhighway, the REA appreciates the FCC's initiatives to foster policy consistent with the goals of improving the universal service concept and to provide improvements to the regulatory framework of the telecommunications industry.

Sincerely,

Administrator

Rural Electrification Administration



#### CHIEF OFFICERS OF STATE LIBRARY AGENCIES

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October 31, 1994

Honorable Reed E. Hundt Chairman Federal Communications Commission 1919 M Street, N.W. Washington, D.C. 20554

RE: FCC Comprehensive Review of the Performance of LECs Under Price Cap Regulation ... CC Docket 94-1.

Dear Mr. Chairman:

The Chief Officers of State Library Agencies urge the Federal Communications
Commission to allow LECs to use the Consumer Productivity Dividend to provide credits for the wiring of public libraries and schools.

It is essential for this nation's future that access to the emerging Global Information Highway is readily available to students in our schools and public libraries. The only competitive advantage that a nation can have in a knowledge based world economy is to have more information more rapidly available to more of its workers, learners and citizens.

The use of the Consumer Productivity Dividend to support libraries and schools would extend a benefit to all citizens of the nation and impact favorably on the welfare of future generations through the improved education of today's students.

Please make every effort to provide these credits for telecommunication to public libraries and schools.

Yours truly,

J. Maurice Travillian

President

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Angela Crouch, Staff Confact

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November 9, 1994

Commissioner Andrew C. Barrett Federal Communications Commission 1919 M Street, N.W.

President
Felipe Veloc
Oregon

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Washington, D.C. 20554

Past President Connie Hubbell Kansas

RE: CC Docket 94-1: Price Cap Performance Review for Local

Exchange Carriers: "Ex Parte."

President-Elect Mand Dahme New Jersey

Dear Commissioner Barrett:

Vice President Keth Johnson Louisiana

Patricia Haves

Secretary-Treasurer

The National Association of State Boards of Education, representing state and territorial boards of education who are responsible for the educational interests of more than forty three million students in public schools and post-secondary institutions, wishes to express our support for the Reply Comments filed with the Commission on June 29, 1994, regarding "Price Cap Performance Review for Local"

Colorado

Northenatora Area Directora

Exchange Carriers," cc Docket 94-1.

Martin S. Kaplan Massichusetts

William South Pennsylvania

Southern Area Directors Denca Davis Mississippi

Richard Smith Arkansos

Central Area Directors Thomas R. Davis Missouri

Katherine Startin Indiana

Midwest Area Directors Rene Nuisez Texas

Wantia Morrison Kansas

Pacific Area Directors Mitsugi Nakashima Hawaii

Susan Massey Oregon As the nation moves into the 21st Century it is essential that all children through their schools, libraries and other education institutions be connected to the National Information Infrastructure (NII). The proposal submitted by the American Library Association with the Council of Chief State School Officers, the National Education Association, the National Association of Secondary School Principals and the National School Boards Association is a sound recommendation for meeting the tremendous challenge of bringing educational institutions into the NII and improving the academic achievement of our nation's schoolchildren.

We hope that you will give this proposal your full consideration and support the further development of a nationwide, quality education for all children.

Sincerely,

French L. Wellum Brenda Lilienthal Welburn

**Executive Director** 

1012 Cameron Street Alexandria, Virginia 22314

703-684-4000 FAX 703-836-2313 Brenda Litenthal Welburn Executive Director

## Before the FEDERAL COMMUNICATIONS COMMISSION Washington, D.C. 20554

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In the Matter of	)	
	)	
Price Cap Performance Review	)	CC Docket 94-1
for Local Exchange Carriers	)	

REPLY COMMENTS OF

THE AMERICAN LIBRARY ASSOCIATION,

THE COUNCIL OF CHIEF STATE SCHOOL OFFICERS,

THE NATIONAL ASSOCIATION OF SECONDARY SCHOOL PRINCIPALS,

NATIONAL EDUCATION ASSOCIATION, AND

NATIONAL SCHOOL BOARDS ASSOCIATION

Five national education and library organizations submit the following Reply Comments in the above referenced proceeding.

Commenters represent their members in advocating solutions to the urgent need for classroom and school connections to the National Information Infrastructure ("NII") so that the promise of advanced telecommunications applications for education will be available to all students regardless of location or economic circumstance.

#### I. Background on Commenters

The American Library Association ("ALA") is a non-profit educational organization composed of librarians, library trustees, friends of libraries and others interested in the improvement of library and information services for the American people.

The Council of Chief State School Officers ("CCSSO") is a nationwide, nonprofit organization composed of the 57 public officials who head the department of elementary and secondary education (and in some states other aspects of education) of the 50 states, five U.S. extra-state jurisdictions, the District of Columbia and the Department of Defense Schools. Its members are public officials who are either appointed by state boards or governors, or are elected to their responsibilities.

The National Association of Secondary School Principals ("NASSP") is the Nation's largest school leadership organization, representing more than 40,000 high school and middle level Its membership includes principals, assistant educators. principals, assistant superintendents, deans of students, and college and university professors. NASSP focuses on professional development programs to help school leaders become more proficient in serving America's middle level and high school students. Association also promotes the interests of education in Congress; conducts research on issues critical to middle level and high schools; sponsors the National Association of Student Councils, the National Honor Society, and Partnerships International; and provides consultant services to members on such topics as instructional improvement, student government, urban education, etc.

The National Education Association ("NEA") has more than 2.1 million members, including elementary and secondary teachers, higher education faculty, educational support personnel, retired

educators, and students preparing to become teachers. NEA is the nation's largest professional employee organization.

The National School Boards Association ("NSBA") is a nationwide advocacy organization for public school governance.

NSBA represents 95,000 elected and appointed school board members who govern 15,500 local school districts across the country.

NSBA's mission is to foster excellence and equity in public elementary and secondary education through local school board leadership.

## II. <u>Developing the MII - Addressing the needs of educational institutions and libraries</u>

A major plank of this Administration's policy platform has been the promotion and development of the NII. The NII has been described as a "network of networks" that will eventually connect Americans in all walks of life, allowing them to use a vast array of communications technologies and services to improve the quality of life. The Vice President clearly articulated a vision of the NII in a speech in January of this year when he said:

"We cannot tolerate -- nor in the long run can this nation afford -- a society in which some children become fully educated and others do not; in which some adults have access to training and lifetime education, and others do not. Nor can we permit geographic location to determine whether the information highway passes by your door."

- -

The Vice President also has set a worthy goal of connecting every classroom, library and hospital to the NII by the year 2000.

At the same time, Congress has been taking a leadership role in promoting the NII and in reforming communications laws to

encourage its development. To this end, bills have been introduced in both the House and Senate to overhaul major portions of the Communications Act. The House and Senate Commerce Committees, along with the House Judiciary Committee, have held hearings on the legislation. It is quite possible that major communications reform legislation will be enacted by Congress this year.

As with the NII, education has been a key issue with both the Administration and Congress, as evidenced by the recent passage of the "Goals 2000: Educate America Act." Clearly, there is a strong linkage between the development of the NII and the improvement of the nation's K-12 education system. Secretary of Education Richard W. Riley recently testified before the Senate Committee on Commerce, Science and Transportation that NII "is an essential tool for achieving the National Education Goals." As many education experts, teachers and policy leaders have noted, including the President and key members of Congress, the NII promises to provide schools with the ability to tap into vast stores of information, get in touch with other classes and teachers to compare information, and share experiences and ideas more widely than has ever been possible before. It promises to open a true "window to the world" for the classroom and its students, providing a rich source of information and ideas that children can access no matter where their school is located.

#### A. Using regulatory incentives to benefit public policy

Ensuring that the NII is deployed as rapidly and widely as possible is, therefore, a key to improving our education system and

enhancing the learning process. The Administration has clearly articulated that it will be strong public-private partnerships that will largely create the NII. It has also, quite rightly, said that the government has a clear role in ensuring that policies are adopted that both stimulate private sector investment and ensure that the public sector (including schools and libraries) have a primary place in and can benefit from the NII.

Creative partnerships, based on effective public policies that set the stage for private investment, will be needed to make the NII a reality. The FCC has recognized the potential to leverage public policy to stimulate private investment in the NII in its current price caps proceeding. As the Commission said in its explanation of the purpose of the price caps proceeding:

"As a forum for considering further regulatory reform, the scheduled fourth year review of the LEC price cap plan could not be more timely. The basic purpose of this review will be to consider whether the plan should be revised to better serve the goals of the Communications Act public interest and the the years in local this ahead. . . [M]any of the links infrastructure will be provided by the price cap LECs. Revisions to the LEC price cap plan may help this infrastructure achieve its full potential."

...

We have reviewed the initial round of comments in this proceeding. We also have been participating in efforts in Congress to include language in the communications policy reform legislation to ensure that, as the NII is built, adequate investments are made to benefit educational institutions (especially K-12 schools and public libraries) so they are able to fully use the NII's capabilities. Other educational institutions should also be

considered, such as libraries designated as federal depository libraries (generally two in each Congressional district).

We believe that the current proceeding offers a unique opportunity to stimulate increased investment in technologies and services that will bring the benefits of the NII to schools and libraries more rapidly than otherwise would be the case. We do not believe this opportunity should be passed by, and we offer these comments to assist the Commission in shaping an appropriate policy to encourage investment in the NII for education.

Our review of initial comments indicates that incentives need to be created to stimulate increased investment by the large local exchange carriers ("LECs") in connecting schools and public The Comments of the Computer and libraries to the NII. Communications Industry Association's ("CCIA") contained one possible model for price caps reform that CCIA believes will stimulate LECs to invest in communications technology for education. CCIA's suggestion is to provide the LECs who agree to invest in the NII for education with fewer restrictions and more freedom to use the returns they make for investment. Under CCIA's proposal, the productivity offset, which is designed to limit price increases by incorporating the efficiencies the LECs have achieved into their price changes, would be set at two levels: one level based on traditional productivity for LECs in general and a lower level for those LECs that have agreed to invest in education.

We recommend that the Commission's current system of price cap regulation be reformed to provide these positive financial incentives in order to encourage LEC investment in communications technology for education and libraries. We encourage the FCC to review current productivity and sharing provisions to ensure they allow the flexibility that is needed to encourage initiatives like this proposal to succeed.

## B. Recommendation: An innovative education/industry partnership

We have looked into this issue in more depth over the last few weeks and have agreed on another suggestion. Specifically, we suggest that the FCC redirect the 0.5 percent Consumer Productivity Dividend ("CPD") that is now part of the annual access rate price cap formula to a program designed to benefit education and libraries.

As present, LECs are required to reduce prices each year by an amount equal to the CPD. The purpose was to ensure that consumers obtain larger price reductions than would have occurred in the absence of price cap regulation. However, the record is clear that this benefit has not materialized for most, if any, consumers. Residential and small business long distance rates, in fact, have been increasing the past two years according to the FCC's own analysis. At best, the "dividend" has disappeared down a regulatory black hole, leaving the vast majority of consumers without any noticeable benefit.

Under our proposal, there would be significant and clearly visible public interest benefits. We suggest that the 0.5 percent CPD not be included in the price cap rate calculation, but instead

be allocated to a special account against which the LECs would charge investments made in educational and library infrastructure in their telephone service territories. If at the end of a rate period the full 0.5 percent dividend amount has not been absorbed through infrastructure investments, it could be made available for use in the following year.

This system would work as a significant incentive for LECs to meet the urgent universal service needs of education and libraries to be effective users of the information super highway in the future. Each year, pursuant to plans developed in conjunction with local school and library boards and approved by the State public utility commissions, LECs would be entitled to a credit offset against the dividend account up to the total amount in the account each year.

If this proposal is adopted, participating LECs should be required to work with state and local education and library leaders and submit plans to the FCC for review and approval that outline how and where investments in education in each state would be made. The FCC should issue a supplemental notice of rulemaking to fully develop this proposal and ensure that a workable policy is adopted that considers such things as timeliness, how the credit bank would be managed and operated, and how contracts for projects under this program would be awarded (i.e. for wiring classrooms).